

Being prepared for chronic illness: That's financial wellness

Americans are living longer, and while that's good news, it also increases the chances that you'll need chronic illness care at some point in your life. That's why planning for chronic illness isn't so much a question of "will you?" but a question of "how will you?"



COMPARING CHRONIC ILLNESS SOLUTIONS WHICH IS RIGHT FOR YOU?

Being chronically ill means you're unable to perform at least two of the Activities of Daily Living (eating, bathing, etc.) for at least 90 days; or you suffer from a severe cognitive impairment. Here's a quick snapshot of four common insurance options that people may consider for financial protection in the event of a chronic illness.

1 TRADITIONAL LONG-TERM CARE (LTC) INSURANCE

Insurance coverage designed exclusively to pay for your qualifying LTC expenses.

An attractive option if your primary need is LTC and you don't have wealth transfer or legacy planning goals to solve for.

2 HYBRID LTC AND LIFE INSURANCE

Combines both LTC and life insurance in one policy.

An attractive option if your primary need is LTC coverage, but you also want some death benefit protection without having to buy a separate life insurance policy.

3 LIFE INSURANCE WITH AN LTC RIDER

A life insurance policy that offers an LTC rider, which accelerates the death benefit to pay for long-term care.

An attractive option if your primary need is life insurance and you also want the ability to use the life insurance policy to pay for certain LTC expenses.

4 LIFE INSURANCE WITH A CHRONIC ILLNESS RIDER

A life insurance policy that offers a chronic illness rider, which accelerates the death benefit if you become chronically ill as defined by the terms of the rider.

An attractive option if your primary need is life insurance and you also want the ability to use the life insurance policy to receive cash benefits if you become chronically or terminally ill.

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MAKING THE RIGHT DECISION

Deciding which option is right for you depends on your current financial situation and your anticipated need for care. Talk to your family and your financial professional, who can help you make the best choice.

If your financial provider recommends life insurance with a chronic illness rider, then ask about available options from Prudential.



A DETAILED VIEW OF CHRONIC ILLNESS OPTIONS

1. Traditional Long-Term Care (LTC) Insurance:

- +** **PROS** **Choice.** You get to choose from a range of LTC coverage options.
Cost-effective. A cost-effective way to cover LTC needs.
Tax advantages. Benefits are tax-free in most instances.
- **CONS** **Price uncertainty.** Rates are not guaranteed and can increase, resulting in higher premiums if you have an existing policy.
Limited coverage. Only qualified long-term care costs are covered.
Proof of expenses incurred. You must provide evidence that you have incurred qualified LTC expenses in order to receive benefits.
Use it or lose it. If you don't qualify for benefits, there's no benefit for you. When you die, there's no benefit for your family.

2. Hybrid LTC and Life Insurance:

- +** **PROS** **Dual coverage.** Provides LTC coverage should you need it, and a death benefit for your heirs.
An exit strategy. You can get most of your premiums back if you decide to cancel the policy.
Potential for higher benefits. Benefits may exceed IRS limits for qualified care.
- **CONS** **Proof of expenses incurred.** You must provide evidence that you have incurred qualified LTC expenses in order to receive benefits.
Use it or lose it. If you don't qualify for chronic illness benefits, there's no benefit for you.
Limited coverage. Only qualified long-term care costs are covered.
Minimal death benefit. The death benefit is minimal when compared with other life insurance solutions.

3. Life Insurance with an LTC Rider:

- +** **PROS** **Double duty dollars.** You have access to one pool of money that provides a death benefit to your family if you die, but you can also access it to pay for LTC expenses while you're alive and you qualify.
Complements many life insurance strategies. LTC riders are available on several types of permanent life insurance products.
Price stability. There are typically no rate increases for existing coverage.
- **CONS** **Proof of expenses incurred.** You must provide evidence that you have incurred qualified LTC expenses in order to receive benefits.
Reduced death benefit potential. The money you use while alive for your chronic illness needs will reduce the amount of benefit your family receives upon your death.

4. Life Insurance with a Chronic Illness Rider:

- +** **PROS** **Double duty dollars.** You have access to one pool of money that provides a death benefit to your family if you die, but you can also accelerate your access to it if you need it while you're alive and you qualify.
Complements many life insurance strategies. Chronic illness riders are available on several types of permanent life insurance products.
Price stability. There are typically no rate increases for existing coverage.
No restrictions, no receipts. Use the money for anything, including medical and non-medical expenses.
Terminal illness benefit.* Some chronic illness riders also provide a benefit if you are terminally ill.
- **CONS** **Benefit payout limits.** The amount available to you can be subject to IRS limits.
Reduced death benefit potential. The money you use while alive for your chronic or terminal illness needs will reduce and can eliminate the amount of benefit your family receives upon your death.

*Not all chronic illness riders will include a terminal illness feature. Please check with your financial professional.

Life insurance is issued by Pruco Life Insurance Company in all states except New York, where it is issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial companies located in Newark, NJ.

A Chronic Illness Rider on a Life Insurance Policy is available for an extra premium. Additional underwriting requirements and limits may also apply. A Chronic Illness Rider is not Long-Term Care (LTC) insurance, is not intended to replace LTC and is not a Medicare supplement policy.

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